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CONCESSIONAIRE OPERATION OF F. S. CAMPGROUNDS

CONCESSIONAIRE OPERATION OF FOREST SERVICE CAMPGROUNDS
An Analysis of the Potential on the Deschutes National Forest

By

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ABSTRACT

The Deschutes National Forest is located on the east side of the Cascade Mountains of Central Oregon. It is one of the major recreation forests in Washington and Oregon with over 3.4 million visitor days of use recorded in 1980. Although recreation demand is increasing recreation budget reductions and inflation have forced the Forest to close or reduce service at one-half of its developed campgrounds. Operating some campgrounds or groups of campgrounds with concessionaires is one way to keep more campgrounds open and provide more services to the camping public. This paper analyzes 34 campgrounds on the Deschutes National Forest and evaluates their potential to be profitable concession operations.

INTRODUCTION

The Deschutes National Forest is now in an era of decreasing recreation budget while recreation demand is increasing. In order to meet the needs of the public, recreation managers must find new ways to stretch a decreasing recreation budget. One such idea is to operate Forest Service campgrounds with private concessionaires.

The advantage of using concessionaires is that they would do all or most of the operation and maintenance work now done by Forest Service crews. To cover their cost, the concessionaires would charge a fee. The Forest Service's only cost would be the administration of the permit. The concessionaire would pay a fee to the Forest Service for the privilege of operating a business on National Forest land and the use of the Government facilities. Part of this fee could be used to recondition and maintain the facilities in the campground. In theory, the Forest Service would be able to provide services to a lot more people with less money through this system.

This paper attempts to:

> Determine if any of the campgrounds on the Deschutes National Forest have the potential to be profitable concession operations.
>
> Determine if the Granger/Thye Fee is a significant deterrent to such concessionaire operations.

This study is limited to existing campgrounds providing basically the present level of services and experiences.

This paper portrays the Forest's current recreation situation and gives a general overview of the Forest, including information on past and present recreation budgets as well as current and projected recreation demand. In addition an explanation of concessionaire operations on National Forest lands is given with particular emphasis on Granger/Thye permits.

LITERATURE REVIEW

A review of the literature through WESTFORNET (Western Forest Information Network) and other Forest Recreation and Urban Forestry Research Publications revealed very little information useful in this study. A considerable body of literature exists on the private campground industry in various parts of the country but it deals only with private operation of privately-owned facilities. However, the economics of these operations are considerably different than the concession operation of Forest Service campgrounds.

Some cost analysis work on Forest Service campgrounds has recently been published by Gibbs and van Hees (1980) and Fight (1980). These publications were used to establish the average operation and maintenance costs per camp unit at various experience levels.

A study of commercial campgrounds on the Oregon Coast by Reiling and Stoevner (1977) gave insight into the private campground operation in Oregon and compared them to State-operated campgrounds. The study found that the private campgrounds have a low monetary return on the owner's resources and that the fees were about the same as the State-owned campgrounds.

A Masters thesis by Buchanan (1978) compared private and public campground development in the greater Yellowstone/Grand Teton Area. This study was another source of data on operation and maintenance costs of private and public campgrounds.

There exists also a number of articles on concessionaire operation of recreational facilities on the National Parks but none of this literature was applicable to campgrounds. Telephone conversations with Steve Crabtree and Paul Larson of the National Park Service (NPS)in Seattle revealed that the NPS does not presently have any concessionaire operation of Government-owned campgrounds. They did experiment with concessionaire operation of NPS campgrounds in 1968. A NPS report indicates that the operation of Annie Springs Campground at Crater Lake National Park was a success except for tremendous public outcry against the campground fees charged. The experiment was dropped due to political pressure and it has never been tried again.

Bob Wier of the Forest Service's Washington Office indicated in a telephone conversation that the Forest Service does not have any concessionaire-operated campgrounds and that explains their absence from the literature. However, R. Dennis Lund, Recreation and Lands Staff Officer on the Kaibab National Forest in Arizona, has analyzed concessionaire operation and development on that Forest. They have gone through the public involvement process and are developing an Environmental Analysis Report on the Concessionaire operation of Forest Service campgrounds.

In summary, there is little or no research on concessionaire operation of public campgrounds and particularly Forest Service campgrounds.

STUDY AREA

GENERAL

The Deschutes National Forest is located on the eastern slopes of the Cascade Mountains of Central Oregon. The Forest headquarters is located in Bend, Oregon which is surround by the 1.6 million-acre Forest. The Forest contains parts of four wilderness areas totaling 250,000 acres, two natural areas, three geological areas, and one experimental forest.

The Deschutes is one of the major recreation forests in the Pacific Northwest Region with 3.4 million visitor days of use in 1980. The Forest has approximately 125 campgrounds and other developed recreation sites. In addition, there are 13 resorts, marinas, and stores, four organization camps, and 283 summer homes under special-use permits. Attractions include: 215 lakes and reservoirs, 617 miles of streams that provide fishing, boating, and hunting opportunities, as well as thousands of acres of magnificent scenery. There are 10,000 miles of roads and 550 miles of trails, including the Pacific Crest National Scenic Trail and several national recreation trails.

The Bachelor Butte ski area located on the National Forest 20 miles west of Bend is an important recreation attraction serving ½ million skiers annually. Facilities are provided for both downhill and cross-country skiing. In addition, the Forest has many miles of trails marked for snowmobiles or cross-country skiing.

The Deschutes is considered one of the recreation destination Forests in Pacific Northwest Region. A destination Forest is expected to receive higher than average use in the near future in light of the current energy problems. The Portland Metropolitan Area is only 4 hours from Bend and the Eugene/Springfield/Albany/Salem areas are only about 3 hours from key recreation attractions on the Forest. Although, Oregonians represent the largest user group, Washingtonians and Californians also are significant user groups.

RECREATION BUDGET

The total recreation budget for the last 3 years on the Deschutes National Forest is shown in Table 1 along with the number of developed site PAOT (People At One Time capacity) that the Forest is expected to operate. Allowing for inflation of 10 to 15 percent per year, the recreation budget has actually been reduced by 40 to 45 percent in the last 2 years. Actual costs have increased at an even greater rate due to increased standards of safety, sanitation, and water quality. As a result the Forest can provide less than half the PAOT it did in Fiscal Year 1979 even though the budget appears to have been reduced only 17 percent. Figure 1 is a visual presentation of the Forest's recreation budget adjusted for inflation.

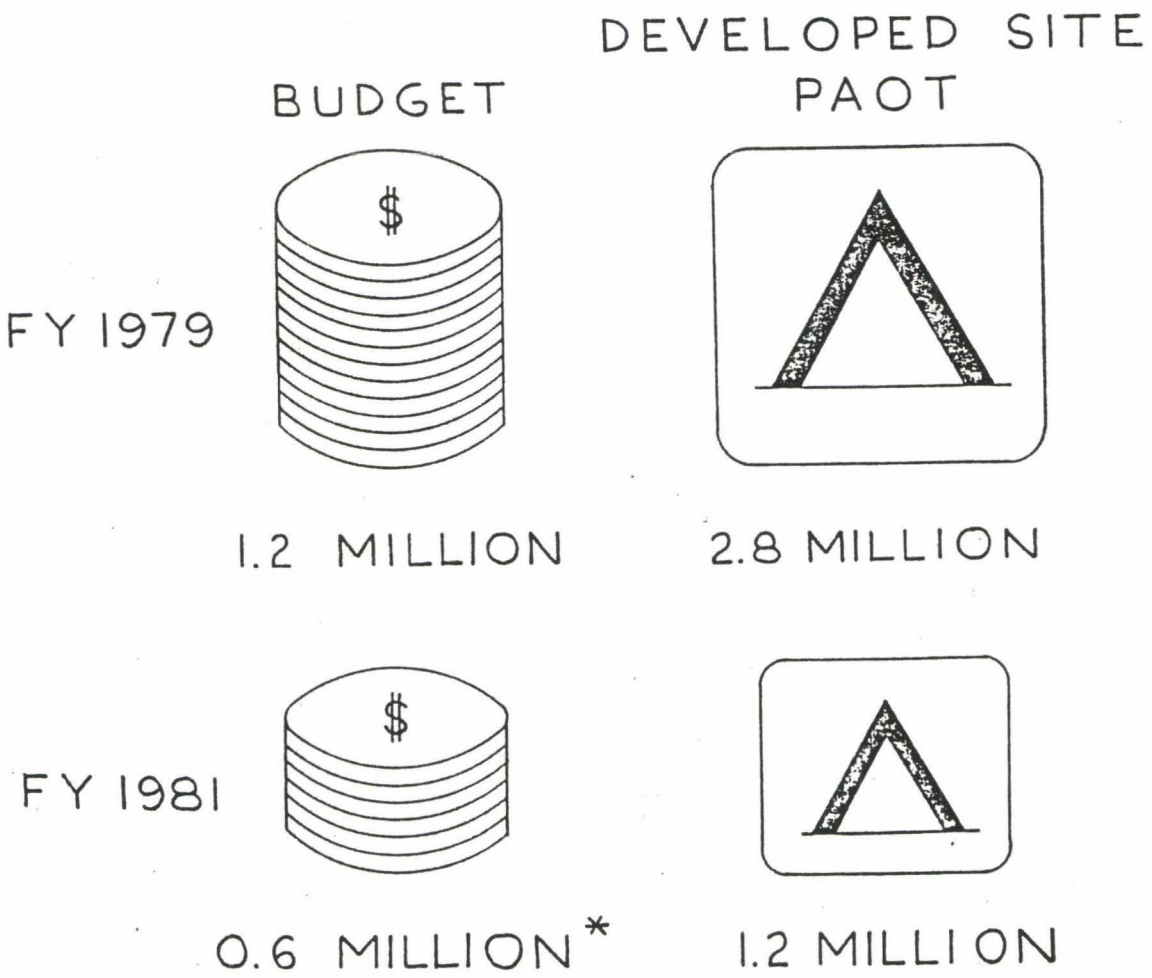
Table 1

Deschutes National Forest Recreation Budgets and Assigned Targets
(from Forest Budget and Attainment Report Records)

F.Y.	Total Recreation Budget	Developed Site PAOT Target
1979	$1,239,100.00	2,842,000
1980	$1,149,000.00	2,695,000
1981	$1,013,000.00	1,218,889

FIGURE 1

RECREATION BUDGET ON THE DESCHUTES NATIONAL FOREST



*ADJUSTED FOR INFLATION

Table 3

Indexes of Demand for Developed Recreation
in the Pacific Northwest Region
(From Table 1.11 1980 RPA Program Update)

Base*	Projected Demand				
1977	1990	2000	2010	2020	2030
100	120	140	162	185	206

*1977 is the base year and the index = 100

The Forest has also been projecting recreation demand as part of the development of the "Forest Plan" as required by the National Forest Management Act of 1976. This information is more localized than the RPA data and it applies specifically to the Deschutes National Forest.

Table 4

Deschutes National Forest Recreation Demand for Developed Camping
(DNF Forest Plan)

Unit of Measure	Range	Base Year 1979	Annual Units			
			1984	1989	1995	2000
Thousand	High	737.4	775	815	865	909
RVD	Low		737	737	737	737

The information in these tables indicates that recreation demand is going to increase on the Deschutes National Forest and recreation budgets are going to be reduced for the next few years.

CAMPGROUND OPERATIONS

Campgrounds on the Deschutes National Forest are operated by a combination of Forest Service employees, contractors, manpower programs, and volunteers. In some campgrounds Forest Service employees do the entire job. In most campgrounds, however, contractors do at least part of the job. Pumping sewage from vault toilets is the most commonly contracted item. Garbage collection and toilet cleaning are other commonly contracted items.

Manpower program employees such as YCC, YACC, CETA, and SCSEP help in many campgrounds. Some Districts use these people for toilet cleaning and general site maintenance, other Districts use them for major maintenance items and actual construction projects.

Increased energy costs will force many people to recreate closer to home. This will increase recreation on those Forests close to large metropolitan areas and in those regions of the country with large populations. Many eastern, southern, and southwestern forests by necessity will require a higher percent of the available recreation budget.

In the Pacific Northwest Region, those forests immediately adjacent to large population areas such as the Mt. Baker-Snoqualamie, the Olympic, and the Wenatchee near Seattle, the Mt. Hood near Portland, and the Willamette near Eugene will experience heavier use and by necessity will receive a higher percent of a limited recreation dollar. The Deschutes National Forest as a destination forest will fair much better in recreation budget than many other more remote forests.

The 1980 Renewable Resource Program (RPA) update approved by the President calls for a decreasing recreation program on the National Forests. The RPA Program is the basic planning document which Congress uses to prepare the Forest Service budget. Although the RPA Program contains two levels, the high and low bounds, it is generally understood that the high bound is the Forest Service's desired program and the low bound is the President's proposal. Although Congress may eliminate the low bound from the President's proposal it is still expected to be the realistic level of recreation financing for the next few years. Table 2 shows the planned program outputs for developed recreation from 1981 to 2030 that are contained in the 1980 RPA Program update.

Table 2

Developed Recreation Output Targets
(From Table 1.1, 1980 RPA Program Update)

Unit of Measure	1978 Base Year	Range	Annual Units									
			1981	1982	1983	1984	1985	1986 1990	1991 2000	2001 2010	2011 2020	2021 2030
Million RVD	79.6	High	82	89	92	94	97	102	112	128	141	155
		Low		75	73	71	69	72	88	105	120	125

The low range is a decreasing program for recreation with fewer RVD's every year until 1985 when the trend starts upward again. The low range, however, will not equal the present program until the 1991-2000 decade.

RECREATION DEMAND

Recreation demand is expected to increase even though recreation budgets are expected to go down for the next few years.

Table 3 shows the projected demand for developed recreation in the Pacific Northwest Region through various time periods.

Volunteers are another important asset in operating campgrounds. Over 65 campground hosts worked on the Deschutes National Forest in 1980. These unpaid helpers are recruited primarily to provide information and assistance to visitors. Many, however, do a lot of maintenance work as well. Other volunteer groups, such as equestrian clubs, have been instrumental in actual campground construction. Table 5 below shows the amount of the assigned Forest target for developed recreation accomplished by volunteers and manpower programs in Fiscal Year 1980.

Table 5

1980 Human Resource Accomplishment in PAOT
and Percent of Forest Target
(DNF F.Y. 80 Attainment Report)

	PAOT	Percent of Forest Target
YACC	303,870	11.2%
YCC	58,430	2.2%
SCSEP	214,226	7.9%
CETA	60,417	2.2%
Hosts	15,138	0.6%
	652,081	24%

In the Fiscal Year 1981 budget for the Deschutes National Forest all manpower programs have been reduced so the Forest cannot rely as heavily on them as in the past.

The Forest Service policy of using 6 percent of the investment record value of all structures as a fee does not appear to use the kind of flexibility intended by Congress. There are many instances where the Forest Service does not have the budget to operate or maintain a structure. It may be possible, however, for the structure or facility to be operated by a private individual, corporation, etc., who would provide a valuable and needed public service. If, however, these people are forced to pay an unreasonably high fee they cannot afford to operate, and a public service is lost.

The fees, therefore, must be tailored so that a reasonable operator or permittee can afford to operate. It is apparent that this is the direction that Congress intended in passing the G/T Act 30 years ago.

An alternative G/T fee calculation system would appraise each campground's current value. A percentage fee could then be established which would probably be different than the current 6 percent fee. This fee must allow the concessionaire a reasonable profit opportunity. The percentage may even differ between facilities.

POTENTIALLY PROFITABLE CAMPGROUNDS FOR CONCESSION OPERATIONS

All campgrounds on the Deschutes National Forest were examined to see if they had a potential for concessionaire operation. Of these, 34 campgrounds with the best potential were included in this study. These 34 campgrounds represent about 57 percent of the Forest's people at one time (PAOT) capacity. The basis for the evaluation was economics. All campgrounds were considered to be in locations that will continue to be in demand in the future.

Because none of these campgrounds are particularly large (118 units largest) several campgrounds were grouped into what was considered a logical package called a composite. Table 6 summarizes the data on the campgrounds and composites:

Table 6

Analysis of 34 Campgrounds on the Deschutes National Forest

Composite and Campgrounds	No. Units	Season No. Days	Camper Nights	Fee $'s	Gross Income M $'s	3/ Investment Value M $'s	6% GT Fee M $'s	6% GT Fee % of Income	4½% Use Fee M $'s	Total Fees	Operating Income M $'s	Operating Income Per Unit M $'s
Wickiup Res.												
1/ Gull Point	118	110	7,481	4.00	29.9	113.0	6.8	25%	1.2	8.0	21.9	
S. Twin	21	110	2,270	4.00	9.1	31.0	1.9	23%	.3	2.2	6.9	
W.S. Twin	26	110	2,264	4.00	9.6	37.0	2.2	26%	.4	2.6	7.0	
Total	165		12,015		48.6	181.0	10.9	22%	1.9	12.8	35.8	217
Suttle Lake												
Link Cr.	41	147	3,461	4.00	13.8	19.0	1.1	8%	.6	1.7	12.1	
S. Shore	47	147	3,359	4.00	13.4	24.8	1.5	11%	.6	2.1	11.3	
Blue Bay	34	147	1,935	4.00	7.7	27.3	1.6	20%	.3	1.9	5.8	
Total	122		8,755		34.9	71.1	4.2	12%	1.5	5.7	29.2	239
Metolius												
Allingham	14	147	1,210	3.00	3.6	14.4	.8	22%	.2	1.0	2.6	
Camp Sherman	19	147	1,690	3.00	5.0	9.9	.6	12%	.2	.8	4.2	
Smiling River	47	147	3,611	3.00	10.8	7.4	.4	4%	.5	.9	9.9	
Pine Rest	11	147	417	3.00	1.3	4.6	.3	23%	-	.3	1.0	
Gorge	24	147	1,487	3.00	4.4	8.1	.4	9%	.2	.6	3.8	
Allen Springs	19	147	1,299	3.00	3.9	17.0	1.0	26%	.2	1.2	2.7	
Pioneer Ford	26	147	1,919	3.00	5.7	42.5	2.5	44%	.2	2.7	3.0	
Lower Bridge	13	147	1,227	3.00	3.7	9.4	.5	14%	.2	.7	3.0	
Total	173		12,860		38.4	113.3	6.5	18%	1.7	8.2	30.2	174
East Lake												
1/ E. Lake	29	100	1,291	4.00	5.2	22.5	1.3	25%	.3	1.6	3.6	
Little Crater	54	100	2,051	3.00	6.2	170.6	10.2	164%	.3	10.5	-4.3	
Hot Spr.	43	100	1,595	3.00	4.8	19.9	1.2	25%	.2	1.4	3.4	
Cinder Hill	106	100	5,597	4.00	22.4	103.5	6.2	27%	1.0	7.2	15.2	
Total	232		10,534		38.6	316.5	18.9	49%	1.8	20.7	17.9	77

Table 6 (Continued)
Analysis of 34 Campgrounds on the Deschutes National Forest

Composite and Campgrounds	No. Units	Season No. Days	Camper Nights	Fee $'s	Gross Income M $'s	3/ Investment Value M $'s	6% GT Fee M $'s	6% GT Fee % of Income	4½% Use Fee M $'s	Total Fees	Operating Income M $'s	Operating Income Per Unit M $'s
Crescent/Odell												
Crescent Lake	46	100	2,042	4.00	8.2	32.1	1.9	19%	.4	2.3	5.9	
Spring Creek	56	100	2,326	3.00	7.0	60.6	3.6	51%	.3	3.9	3.1	
Trapper Creek	39	100	2,002	4.00	8.0	28.7	1.7	21%	.3	2.0	6.0	
Princess Cr.	47	100	2,002	3.00	6.0	18.6	1.1	18%	.3	1.4	4.6	
Total	188		8,472		29.2	140.0	8.3	28%	1.3	9.6	19.6	104
Odell Lake												
Odell Cr.	16	100	569	4.00	2.3	3.0	.2	9%	.1	.3	2.0	
Sunset Cove	23	100	644	3.00	1.9	57.6	3.4	179%	.1	3.5	-1.6	
Total	39		1,214		4.2	60.6	3.6	82%	.2	3.8	.4	10
Cultus Lake												
2/ Cultus	37	100	2,685	3.00	8.0	41.8	2.5	31%	.4	2.9	5.1	
2/ N. Unit	33	100	1,300	3.00	3.9	16.2	1.0	26%	.2	1.2	2.7	
Total	70		3,985		11.9	58.0	3.5	29%	.6	4.1	7.8	111
Lava Lake												
Lava	50	100	1,748	3.00	5.2	15.0	0.9	17%	.2	1.1	4.1	
2/ Little Lava	12	100	1,442	3.00	4.3	6.0	0.4	9%	.2	.6	3.7	
Total	62		3,190		9.5	21.0	1.3	14%	.4	1.7	7.8	125
Elk Lake												
Elk Lake	20	100	1,785	4.00	7.1	16.0	1.0	14%	.3	1.3	5.8	290
Paulina Lake												
1/ Paulina	74	100	5,023	3.00	15.0	169.6	10.2	67%	.7	10.9	4.1	55
Crane Prairie												
Quinn River	40	100	2,550	3.00	7.6	9.1	.5	7%	.3	.8	6.8	170
2/ Little Cultus	10	100	1,785	3.00	5.4	12.0	.3	5%	.2	.5	4.9	49
Rock Creek	32	100	3,000	3.00	9.0	39.4	2.4	26%	.4	2.8	6.2	193
2/ Reservoir	15	100	2,480	3.00	7.4	6.7	.4	5%	.3	.7	6.7	446

1/ Development Level 4 campgrounds, all others development Level 3.
2/ These campgrounds are nonfee at this time.
3/ Includes investment costs through 1979.

Table 6 Notes

1. Five nonfee campgrounds were included in the analysis with the idea that they could become fee sites.

2. The number of camper nights spent in each campground is based on actual 1980 experience.

3. Gross Incomes were based on the fee the Forest plans to use in 1981 which are either $3 or $4 per unit. These fees will probably be increased to $4 and $5 per unit in 1982.

4. Investment values are from Forest Service records and they indicate the cost of construction at the time the campground was built, plus any improvements through 1979.

5. The Granger/Thye (G/T) fee is 6 percent of the investment record value of the campground. The concessionaire must pay the Forest Service this amount for the use of the campground or perform an equal amount of maintenance and reconditioning work.

6. A use fee of 4½ percent of gross income was used to approximate what the fee will be under the Graduated Rate Schedule.

7. Operating income is an estimate of the dollars a concessionaire would have available to operate the campground and generate a profit.

8. Operating income per unit is another measure to compare the financial opportunities between campgrounds. It is simply the gross income minus Forest Service fees divided by the number of units. Those campgrounds with a high dollar value per unit are generally a better business opportunity than those units with low dollar values per unit. Also, when the value gets below a certain point it is doubtful that a campground is an economic opportunity for a private individual.

Figure 4 summarizes how the campgrounds were analyzed.

FIGURE 4

CAMPGROUND ANALYSIS

1980 Camper Nights x 1981 CG Fees	= Gross Income
Gross Income x 4½%	= Use Fee
Investment Value x 6%	= G/T Fee
Total Fees	= (Use Fee) + (G/T Fee)
(Gross Income) - (Fees)	= Operating Income
(Operating Income) ÷ (No. Units)	= Operating Income/Unit

EVALUATION CRITERIA

Five campground composites were identified as potentially profitable based on an analysis of the information in Table 6. They included Wickiup, Crescent/Odell, Suttle, Metolius, and East Lake. The several factors discussed below affected profitability:

Size Of Campground Or Composite

Campgrounds in this study range in size from 10 units at Little Cultus to 232 units in the East Lake Complex. All campgrounds or composites above 122 units (Wickiup, Crescent/Odell, Suttle Lake, Metolius River, and East Lake) were considered potentially profitable and those below that number were not. To be a viable economic opportunity 100 units was considered a minimum size of operation.

There may be other opportunities to combine an unprofitable site with a profitable site to improve a composite. For example, Paulina Campground could be added to East Lake composite.

Season of Use

Four of the five potentially profitable composites had seasons longer than 100 days (Suttle Lake, Metolius River, East Lake, and Wickiup). Only one of the nonselect areas, Paulina Lake did.

Campground Fee

The $4 units will generate more income than the $3 units. Of the potentially profitable operations Wickiup and Suttle Lake are all $4 units, East Lake is 58 percent $4 units, Crescent/ Odell is 45 percent $4 units, and only the Metolius River is 100 percent $3 units. All of the nonprofitable composites were $3 units.

It is important to note that as campground fees increase the GT fee becomes a less significant constraint. Some sites that are not now profitable could become so. In line with RPA direction to "increase user fees at developed sites to bring them more in line with costs and to reduce public competition with the private sector," (RPA 80 Program update) fee will probably increase at $1 per year for the next few years. This will make a major change in the profit margins for some sites.

Gross Income

The five potentially profitable composites have the highest gross income. The highest is Wickiup at $48,600 and the lowest is Crescent/Odell with $29,200. Other than Paulina at $20,000 all of the rest have significantly lower gross incomes. Again, if campgrounds can be grouped the gross income may be increased enough to make a composite profitable.

Forest Service Investment Value and G/T Fee

These two items are tied together because the GT fee is 6 percent of the investment value. One of key objectives of this study was to determine if the GT fee was a significant deterrent to concessionaire operation of campgrounds.

On four of the five potentially profitable composites the G/T fee is between 12 and 28 percent of the gross income. Only at East Lake where the fee is 49 percent of gross income does the G/T fee appear to be significantly high and that composite was still considered profitable.

Land-Use Fee

The National Forest land-use fee calculated at 4½ percent of gross income for all campgrounds.

Operating Income

This column shows the amount of income a concessionaire will have to operate the campgrounds and it includes profit. Potentially profitable composites had incomes that range from $17,900 to $35,800. The highest income for an unprofitable composite was $9,000 and the next highest income was $5,000. It, therefore, appears there is a significant difference between the five profitable composites on the Deschutes National Forest and the unprofitable ones.

This is an important figure to look at because it is unlikely that a concessionaire can make a profit on a $5,800 operating income such as at Elk Lake and that the concessionaire probably can on a $35,800 operating income such as at Wickiup.

Operating Income Per Unit

This item is just another way of looking at the figures above which are divided by the number of units. The higher the income per unit the more profitable the operation. Four of the five potentially profitable composites had the highest income per unit. Crescent/Odell was lower with $1.30 per unit than Elk Lake at $1.56 and Paulina at $1.21. Crescent/Odell, however, had a lot more units which made the entire operation more cost effective and profitable.

Concessionaire Operating Costs

There is a great deal of research on the costs on operating private campgrounds. This research, however, does not apply very well to Forest Service campgrounds because many cost factors are different. A concessionaire can operate a Forest Service campground with very little initial investment. Utility costs are also low because Forest Service campgrounds do not provide power or hot showers. Special-use fees, however, are a cost that most private operators do not have.

Location also affects the profitability of a campground. On the Deschutes most of the Forest Service campgrounds are located adjacent to private resorts on National Forest land. If these resort owners were to take over the campground operations, they could incorporate the campground into their resort management and some have indicated a desire to do so. They could, for example, consolidate garbage collection and use their present help to clean toilets, collect fees, and maintain facilities. Existing management staff could also manage all or part of the campground operation.

These factors give adjacent resort owners a big advantage over the outsider who would set up an entirely new management operation.

Because of the differences outlined, no attempt was made to determine the actual operating cost a concessionaire would have. Instead, several private campground operators were contacted and they generally agreed that an operation producing an operating income of $20,000 was potentially profitable.

A detailed proposal for a concessionaire operation of specific campgrounds would be necessary before the actual profitability could be determined. This type of analysis is beyond the scope of this study.

Table 7 summarizes the potentially profitable composites.

TABLE 7

POTENTIALLY PROFITABLE COMPOSITES

Composite	No. Units	Operating Income	Operating Income/Unit
Wickiup Res.	165	$35,000	$217
Suttle Lake	122	29,200	239
Metolius R.	173	30,200	174
East Lake	232	17,900	77
Crescent/Odell	188	19,600	104

SAVINGS TO THE FOREST

Savings to the Forest would be in three forms: dollars, personnel, and mileage or fuel allocations.

Dollars

Annual operation and maintenance (O&M) costs are very difficult to estimate for an individual campground. Therefore, the O&M costs were estimated based on average O&M costs for the Pacific Northwest Region from Gibbs and van Hees, (1980). These costs were based on 1977 data so they were increased by 31.7 percent (Monthly Labor Review 1978-80), to

bring them up to 1981 costs. The costs for Experience Levels 3[1] and 4[1] campgrounds are $290.91/unit and $443.56/unit, respectively. The total Forest Service O&M costs for the five potentially profitable composites is $313,000.

The Forest RIM O&M costs were also examined but they were not used because they are based on doing a complete job which is generally not done in actual practice. The 1980 RIM costs for the same campgrounds were $320,000 or 2 percent higher than the Region 6 average costs adjusted to 1981.

The O&M costs were also checked against the Forest's Fiscal Year 1981 budget. The five potentially profitable composites amount to 75 percent of the Forest's PAOT in fee sites. Seventyfive percent of the Forest's budget for fee sites was $312,000.

By comparing these three methods of calculating O&M cost it appears that the $313,000 figure is accurate. In addition $48,800 would be available from GT fees to "recondition and maintain the structures and land..." If these two items are added the total is $361,800.

The Forest would have additional costs associated with preparing and administering the permits for these concessionaires. However, there would be a savings in the preparation and administration of other existing contracts such as toilet cleaning, garbage pickup, etc. It is assumed that these two costs would offset each other in both time and dollars.

The O&M dollars saved through concessionaire operations would make money available to do other recreation work. Because these sites take most of the Forest developed site budget, the Forest could operate all the rest of its developed sites at a normal level and still be able to increase emphasis in other areas such as wilderness or ski area administration even in a poor budget year such as 1981.

Personnel

The Forest has a "ceiling" on the number of permanent people it can employ and this "ceiling" is expected to include temporary employees in Fiscal Year 1982. It is the temporary employees who do most of the campground O&M work.

If all five campground composites were operated by concessionaires the Forest could save one to two permanent ceilings. In addition 11 temporary positions could also be eliminated.

Mileage or Fuel Allocation

The Forest has a limit on mileage driven and the amount of fuel used in Government or rented vehicles. By reducing employees the need for vehicles and fuel allocation is also reduced. It is estimated that 35,000 miles per year could be saved if all five composites were run by concessionaires. This is 15 to 20 percent of the total miles allocated to recreation on the Forest in Fiscal Year 1981.

[1]U.S. Forest Service. 1976 RIM Handbook. FSH 2309.11.

METHODOLOGY

EXISTING CONCESSIONAIRES OPERATIONS

Concessionaire operation of recreation facilities on the Deschutes National Forest is already an established practice. Many of these facilities are resorts that range from a major ski area to small "mom and pop" operation with a few cabins. A few of these resorts already provide campground facilities for recreational vehicles with full hook-ups. Concessionaire operation of Forest Service campgrounds could be a logical next step.

CONCESSIONAIRE PERMITS

Through several Acts of Congress, the Forest Service is authorized to issue special-use permits for private use of National Forest land. Special-use permits are commonly issued to concessionaires for the purposes of providing goods and services to the general public including winter sports areas, resorts, and marinas. The concessionaires are charged a fee commensurate with the value of the use authorized by the permit.

Concessions are assessed two types of fees: A land-use fee based on the concession's sales and a rental fee for the use of Government-owned structures. A concessionaire operation always requires a land-use fee because the use of Government land is involved. Such operation only requires a Government facility permit if the concession uses Government-owned structures. Such fees are generally incorporated in the same permit.

Land-Use Fees

Prior to 1968 the Forest Service charged a percentage of concessionaires sales for the land-use fee. As of July 1, 1968 (July 1, 1972 for winter sports areas) the Graduated Rate Fee System (GRFS) was adopted.

The GRFS is applied by multiplying the concessionaires gross sales by a rate from an established schedule. This rate is adjusted annually by the proportional relationship of sales to the concessionaire's investment or Gross Fixed Assets (GFA). Conversely, the fee decreases as sales decrease in relation to investment, or as investment increases in relation to sales. The GRFS system insures that concessionaires who enjoy a high return on a modest investment pass a share of their profits to the landowner (the Government), while concessionaires whose sales slump are not penalized for a temporary setback.

Granger/Thye Fee

When concessionaires use Government facilites the Forest Service charges a rental fee for the value of the structure or improvements. This fee is known as the Granger/Thye Fee (G/T fee), after the Granger/Thye Act of

1950 that established the concept of such a rental. Under the G/T calculation, maintenance and reconditioning approved by the Forest Service and done at the concessionaires expense can be credited as part of the fee. The specific wording of Section 7 of the G/T Act is as follows:

"The Secretary of Agriculture under such regulations as he may prescribe and at rates for periods not exceeding 30 years as determined by him, is hereby authorized to permit the use by public and private agencies, corporations, firms, associations, or individuals, of structures or improvements under the administrative control of the Forest Service and land used in connection therewith; provided, That as all or a part of the consideration for permits issued under this section, the Secretary may require the permittee at their expense to recondition and maintain the structures and land to a satisfactory standard." (16 U.S.C. 580d) (Emphasis added.)

In enacting the G/T Act Congress recognized the special and unique nature of many Forest Service structures. It is also quite apparent Congress wanted to give the Secretary of Agriculture maximum flexibility in permitting individuals, corporations, etc., to use Government structures or improvements. The Act does not specify any minimum fee or describe how it is to be calculated. The Act, however, allows the Secretary of Agriculture to require the permittee to "recondition and maintain" the structure as a condition of use.

The Secretary of Agriculture has established the G/T fee at 6 percent of the value of the Government improvements. The origin of the 6 percent fee is not known, but it probably represents an attempt to establish a reasonable average fee for the use of the Government-owned facilities. The value of the improvements under current Forest Service regulation is based on the value as contained in the investment records.

The standard 6 percent fee tends to discriminate against operators of new facilities and benefit operators of older facilities. Figure 3 demonstrates this inequity by comparing two hypothetical campgrounds. They are both the same size, have the same occupancy rate, charge the same fee, and generate the same income. The only difference is the construction cost because one was built in 1970 and the other in 1980. The G/T fee is only $6,000 on the older campground but it is $60,000 on the newer campground. On the older campground the G/T fee would be only 30 percent of the gross income. On the newer campground, however, the G/T fee would be three times the gross income.

FIGURE 3

G/T FEE
100 UNIT CAMPGROUND EXAMPLE

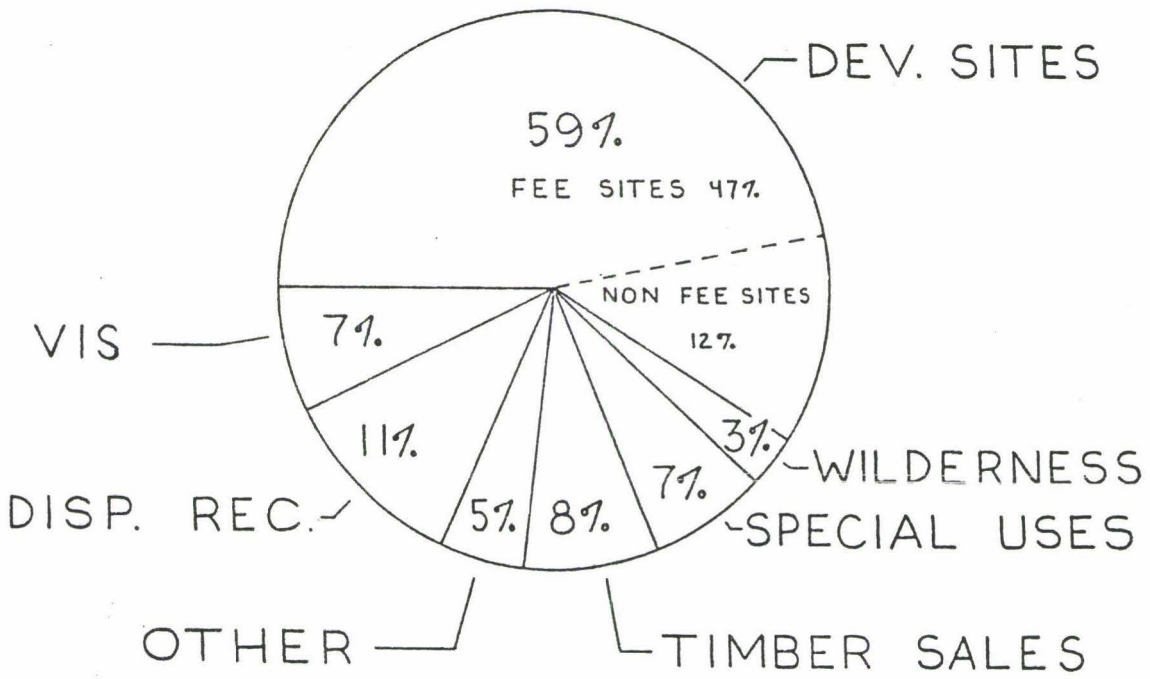
Year Constructed	1980	1970
Construction Cost	$1,000,000	$100,000
Campground Fee	$4/Night	$4/Night
*Gross Income	$20,000	$20,000
G/T Fee	$60,000	$ 6,000

*50% Occupancy for 100-day season

Figure 2 shows how the total recreation budget is broken down into various activities. The Developed Site portion of the budget totals 59 percent and it is the only area where a major savings can be realized.

FIGURE 2

DEVELOPED SITE BUDGET



The budget outlook in the foreseeable future (2 to 6 years) on the Deschutes National Forest is not much better than that for Fiscal Year 1981 for the following reasons:

Recreation is an easy budget item to cut when there is a need to cut the Federal budget or shift dollars to another program such as defense.

The program or planning budget process in the Pacific Northwest Region tends to work against recreation. The Region is a key timber producer in the Forest Service and timber production is still considered by many to be the key output from the National Forests. Historically, when the Region has been directed to prepare a program budget with a limit on total dollars spent it has also been required to produce a high timber target. To meet the timber target within the constrained budget the Region must drastically reduce other programs in its budget such as recreation.

SUMMARY

Budget reduction and inflation have significantly reduced the funds available to operate campgrounds on the Deschutes National Forest. In Fiscal Year 1981 the Forest will operate only about one-half of its campground capacity. The remainder will either be closed by gates or considered closed from a maintenance standpoint even if the public is allowed to use them. In addition the Forest is faced with increased constraints on the number of employees it can hire and amount of fuel used.

One way to operate more Forest Service campgrounds with less money, people, and fuel is through the use of private concessionaires. In this paper the author tried to determine if any of the Forest Service campgrounds on the Deschutes National Forest had the potential to be operated profitably by concessionaires. In addition an attempt was made to determine if the Granger/Thye (G/T) fee was a significant deterrent to concession operations.

Thirty four campgrounds representing over 57 percent of the developed site PAOT on the Deschutes National Forest were analyzed in this study. Although a few campgrounds might have been profitable operations by themselves, they were grouped with other campgrounds in the same area into a composite for analysis purposes.

The number of nights each campground was occupied in 1980 was multiplied by the proposed Forest Service fee for 1981 to determine the gross income for each campground or composite. The total fees the concessionaire must pay the Government were then deduced from the gross income to determine the amount of operating income a concessionaire would have to operate the campground and generate a profit. The figure was decided by the number of campground units to determine the operating income per unit.

In this analysis five composites had operating incomes, after Forest Service fees, of $17,900 to $35,800. These composites were considered potentially profitable as concession operations and the others were not. This determination was made by talking to several private campground owners in the Bend area.

If these five campground composites were managed by concessionaires the Forest could possibly save $313,000 in operation and maintenance costs. In addition $48,800 would be eligible in the form of G/T fees to "recondition and maintain facilities..."

The G/T fees were not considered to be a significant deterrent to concession operations on the Deschutes National Forest. This, however, is more a matter of chance than design. Those campgrounds with recent improvements in the facilities have a very high G/T fee in relation to gross income and those without recent improvements have a lower G/T fee.

The author believes that campgrounds should be appraised at current value and a fee established that recognizes the current value and also considers the concessionaires opportunity to make a profit.

Recommendations

It is the recommendation of the author that the Forest should seek approval from the Washington Office of the Forest Service to experiment with one or two concessionaire-operated campgrounds or campground composites in 1982.

If approval can be obtained the Districts and the Forest should develop a detailed proposal for concession operation of several adjacent campgrounds. The proposal should include the campgrounds necessary to make a good package for the concessionaire and also a package that meets the Forest's needs. It may even contain some nearby campgrounds that are presently nonfee sites if the campgrounds would end up as the only campgrounds maintained by the Forest in the area.

The proposal should also detail what facilities would be the responsibility of the Forest Service, what would be the responsibility of the concessionaire, and what work would be credited against the G/T fee. Only when this step is completed can the profitability of a specific operation be determined.

After the above steps are completed the Forest should prepare a prospectus and request proposals from individuals interested in operating these campgrounds on a concession basis.

With 1 or 2 years experience with a limited number of concessionaires the Forest could expand the number of campgrounds operated by concession.

It is anticipated that there will be problems associated with concessionaire operation of these campgrounds. Because this is a nontraditional way of operating Forest Service campgrounds some of the public and some Forest Service employees will oppose the idea. Also, some concessionaires will be good and others will be poor just as some resort concessionaires are good and others are poor. This will create new problems for Forest Service managers.

In order to provide incentives for District Rangers and District Recreation Managers the Districts should not be penalized in their budgets for this type of operation. Any savings generated through concessionaire operations should be made available for other recreation activities.

The Deschutes National Forest and the rest of the Forest Service must face up to the difficult decision on how to manage their campgrounds. If the Forest continues to operate as they have in the past, fewer and fewer campgrounds will provide services such as garbage collection, clean toilets, water, etc., that the public has become used to. If the Forest moves into concessionaire operation of Forest Service campgrounds there will be new problems, but the campgrounds will be open to the public.

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